Patent and Trademark Office
Trademark Trial and Appeal Board
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BAC/Peterson

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PAT. & T.M. OFFICE

Cancellation No. 24,108

Galleon S.A., Bacardi-Martini U.S.A. and Bacardi & Company Limited

v.

Havana Club Holding, S.A., dba HCH, S.A.

Before Rice, Cissel and Walters, Administrative Trademark Judges.

By the Board:

Petitioners, Galleon, S.A. (hereinafter Galleon), Bacardi-Martini U.S.A., Inc. (hereinafter Bacardi U.S.A.) and Bacardi & Company Limited (hereinafter Bacardi Ltd.), have filed a petition to cancel Registration No. 1,031,651[1] for "rum" for the mark shown below (in enlarged form):

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[1]Issued January 27, 1976, based on Section 44(e) of the Trademark Act (ownership of Cuban Reg. No. 110,353 dated February 12, 1974). Registrant disclaimed "Havana" and "Fundada en 1878" apart from the mark as shown. The drawing is lined for the color gold. Registrant filed two Section 8 affidavits of use, on January 13 and 25, 1982. The first affidavit, which refers to the mark as "still in use...", and refers to an "attached specimen" (which is not currently in the registration file), was accepted by this Office and it remains in the registration file. The second affidavit of use was returned to registrant's attorney with a letter dated June 9, 1982, explaining that only one Section 8 affidavit is necessary. Renewed for a term of ten years in 1996.

The involved registration issued to Empresa Cubana Exportadora de Alimentos y Productos Varios, dba Cubaexport (a Cuban company, hereinafter Cubaexport or original registrant). On January 10, 1994 Cubaexport assigned the mark to Havana Rum and Liquors, S.A., dba H.R.L., S.A. (a Cuban company, hereinafter HRL); and on June 22, 1994, HRL assigned the mark to Havana Club Holding, S.A., dba HCH, S.A. (a Luxembourg company, hereinafter Havana Holding). This proceeding is in the name of Havana Holding as respondent because that entity was the record owner of the registration on the date the petition to cancel was filed, July 12, 1995. See TBMP §315.01.[2]

In their petition to cancel, petitioners allege, inter alia, that Galleon is engaged in the spirits business and is the owner of application Serial No. 74/572,667[3] for the mark HAVANA CLUB for "rum and rum specialty drinks"; that Bacardi U.S.A. uses the name and mark BACARDI in the United States

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[2]The Trademark Trial and Appeal Board Manual of Procedure (TBMP) (Stock No. 903-022-00000-1) is available for a fee from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. (Telephone (202) 512-1800).

[3]This application is currently in a suspended status in Law Office 107.

under authority from Bacardi Ltd.; that Bacardi Ltd. is the successor of Compania Ron Bacardi S.A., a Cuban joint stock company formerly headquartered in Santiago Cuba; that Bacardi Ltd. is the owner of the renowned name and mark BACARDI and the worldwide registrations thereof; that Bacardi Ltd. and Bacardi U.S.A.s' parent corporation is owned by descendants of Don Facundo Bacardi, who originated the recipe and process over a century ago in Cuba for the rum sold under the BACARDI mark; that "American consumers" have long recognized Cuban-style rum as being of the highest quality; that "petitioners have a bona fide intent to produce rum in the future in a democratic Cuba", but at present it is impossible for petitioners or anyone else to make rum in Cuba and import and sell the rum in the United States due to the U.S. trade embargo with Cuba; that Bacardi U.S.A. and Bacardi Ltd. plan to import and distribute rum sold under the mark HAVANA CLUB under authority granted by Galleon; that the words "Fundada en 1878" appear in respondent's mark, but the original registrant, Cubaexport, was not founded in 1878; that Cubaexport was aware when it filed the application that it was not the owner of the mark for rum in the United States; that the Section 8 affidavit of use filed in January 1982 falsely stated (i) that the mark "is still in use" and (ii) that Cubaexport was the owner of the mark; that the label submitted with the Section 8 affidavit was never approved by the BATF; and that the assignments to Havana Rum & Liquors, S.A. and then to Havana

Club Holding, S.A., did not convey the goodwill or related assets and thus both were assignments in gross, destroying any possible rights of the assignee to the mark HAVANA CLUB in the United States.

Petitioners then set forth the following five specific grounds for the petition to cancel:

(1) "Fraud in Obtaining and Maintaining" the registration in that the original registrant had no good faith intent to use the mark in commerce as of the filing date of the application, that Cubaexport knew it was not the owner of the mark in the application, and that the mark was not in use in commerce as stated in the Section 8 affidavit;

(2) "Misrepresentation of the Goods" in that respondent's registration is a "vehicle for fraud, and said purported mark is being used to misrepresent the nature, quality, and source of the rum sold under that mark";

(3) "Treaty Violations and Constitutional Grounds" in that contrary to Section 44 of the Trademark Act, the mark HAVANA CLUB was not used in commerce within a reasonable period of time, and in fact the mark was never used in commerce regulable by Congress and thus the Patent and Trademark Office "has no power to maintain" the registration on the Principal Register and the register must be corrected;

(4) "Abandonment" in that the mark has never been used in commerce in the United States, and the purported

assignments of the mark and registration are invalid assignments-in-gross; and

(5) "Unclean Hands" in that equitable principles require the registration be cancelled because it has been used "as a vehicle to violate the laws of the United States", and that the mark has lost its significance as a trademark.

As a preliminary matter, respondent's motion to extend its time to answer the petition to cancel (filed September 21, 1995) is hereby granted.

This case now comes up on respondent's motion to dismiss for failure to state a claim upon which relief can be granted pursuant to Fed. R. Civ. P. 12(b)(6).[4]

Petitioners filed a brief in opposition to respondent's motion to dismiss for failure to state a claim, including a request that petitioners be allowed leave to amend the petition to cancel if that is necessary.

Respondent filed a motion for leave to reply brief, which motion is hereby granted.

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[4]Respondent included with its motion to dismiss a "notice of reliance on and submission of foreign law", which is a copy of and an English translation of Cuba's Law No. 890 of October 30, 1960 (regarding the nationalization-forced expropriation-of industrial and commercial enterprises).
First, it is inappropriate and unnecessary to submit a "notice of reliance" on material submitted with a motion. Second, inasmuch as respondent's motion goes to the legal sufficiency of the petition to cancel, and the matter submitted is not necessary to our decision on respondent's motion, the outside material is hereby excluded from consideration. Respondent's motion will be treated as a motion to dismiss under Fed. R. Civ. P. 12(b)(6). See TBMP §503.

Without reiterating each of the numerous arguments made by the respective parties, respondent essentially asserts that petitioners' allegations of fraud are deficient under Fed. R. Civ. P. 9(b); that there can be no fraud claim based on the nationalization of the predecessor company; that the claim of "misrepresentation of the goods" fails to set forth a claim regarding misrepresentation of the source of the goods under Section 14(3) of the Trademark Act; that petitioners' pleading fails to set forth a proper claim of a violation of any international treaty; that the pleading fails to set forth a proper claim of abandonment based on non-use because respondent's non-use is excusable non-use due to the U.S. trade embargo against Cuba; that the claim of abandonment based on the successive assignments of the registration is legally insufficient because the assignment of a mark which cannot legally be used in the United States is not ipso facto an invalid assignment; and that the pleading of unclean hands is not a statutory ground for cancellation.

Petitioners essentially argue in response thereto that the petition to cancel includes proper pleadings of each of the five grounds; that even if the Board does not have power to rule on constitutional issues, the Board must "make every effort to interpret the Lanham Act so as to avoid a clash with the U.S. Constitution"; and that if the motion to dismiss is to be allowed, even in part, then petitioners' should be granted leave to amend their pleading.

A motion to dismiss for failure to state a claim is a test solely of the legal sufficiency of the allegations(s) set forth in the pleading. See Libertyville Saddle Shop Inc. v. E. Jeffries & Sons Ltd., 22 USPQ2d 1594 (TTAB 1992).

For purposes of determining a motion to dismiss for failure to state a claim upon which relief can be granted, all of petitioners' well-pleaded allegations must be accepted as true, and the petition to cancel must be construed in the light most favorable to petitioners. See Selva & Sons, Inc. v. Nina Footwear, Inc., 705 F.2d 1316, 217 USPQ 641 (Fed. Cir. 1983); Space Base Inc. v. Stadis Corp., 17 USPQ2d 1216 (TTAB 1990). See also, Vol. 5A Wright & Miller, Federal Practice and Procedure: Civil 2d, §1357 (1990). Dismissal for insufficiency of the petition to cancel is appropriate only if it appears certain that the petitioners are entitled to no relief under any set of facts which could be proved in support of their claim. See Stanspec Co. v. American Chain & Cable Co., Inc., 531 F.2d 563, 189 USPQ 420 (CCPA 1976).

In order to withstand a motion to dismiss, petitioner need only allege such facts as would, if proved, establish that petitioners have standing to petition to cancel respondent's registration and that a statutory ground exists for canceling the registration. See Lipton Industries, Inc. v. Ralston Purina Co., 670 F.2d 1024, 213 USPQ 185 (CCPA 1982).

Turning first to the question of whether each of the petitioners have sufficiently pleaded standing to bring the instant cancellation proceeding, it is sufficient for the purpose of standing for a party to plead facts which, if proved, would demonstrate that it has a "real interest" in the matter. See Books on Tape Inc. v. Booktape Corp., 836 F.2d 519, 5 USPQ2d 1301 (Fed. Cir. 1987). That is, a party can plead standing by pleading facts sufficient to show that it has a personal interest, i.e., an interest beyond that of a member of the general public, in the matter.

Each petitioner alleged a commercial interest in its own marks, as well as an intent to use the mark HAVANA CLUB on rum produced in Cuba and sold in the United States as soon as it is legally possible to do so. Specifically, Galleon alleged ownership of an application to register the mark HAVANA CLUB for rum and rum specialty drinks; and both Bacardi U.S.A. and Bacardi Ltd. alleged an intent to use the mark HAVANA CLUB for rum in the United States under authority granted by Galleon as soon as it is legally possible to do so. Petitioners, being more than mere intermeddlers, have sufficiently pleaded their standing to maintain the instant action.

We will now address the grounds to cancel seriatim.

I. Fraud

Petitioners' allegation of fraud in the filing of the original application, that is, Cubaexport's assertedly false

and fraudulent claim of ownership of the mark sought to be registered, and petitioner's allegation of fraud in the filing of the Section 8 affidavit, that is, the assertedly false and fraudulent allegation that the registered mark was "still in use in commerce", are acceptable and legally sufficient pleadings of fraud under Fed. R. Civ. P. 9(b). See King Automotive, Inc. v. Speedy Muffler King, Inc., 212 USPQ 803 (TTAB 1981). Petitioners' pleading of those issues articulate sufficient information to give respondent fair notice of the basis for these two claims of fraud.

However, petitioners' allegation of fraud in that the original registrant had no good faith "intent to use" the mark in commerce at the time the application was filed is legally insufficient. The application which matured into Registration No. 1,031,651 was filed on June 12, 1974, and there was at that time no statutory requirement that an applicant basing its application on Section 44 of the Trademark Act assert an intent to use the mark. See Clairol Inc. v. Compagnie D'Editions et de Propagande du Journal La Vie Claire-Cevic, 24 USPQ2d 1224 (TTAB 1991). Therefore, there can be no fraud on that basis, and paragraph 38 of the petition to cancel is hereby stricken.

II. Misrepresentation of the Goods

Petitioners' allege that respondent's "mark is being used to misrepresent the nature, quality and source of the rum sold under that mark", while at the same time

petitioners' allege that respondent's mark is not used in the United States at all. The facts plead by petitioners on this claim under Section 14(3) of the Trademark Act are confusing, inconsistent and legally insufficient. See McDonnell Douglas Corp. v. National Data Corp., 228 USPQ 45 (TTAB 1985).

Paragraph 41 of petitioners' pleading is stricken, but petitioner will be allowed time to amend the pleading as to this ground.

III. Treaty Violations and Constitutional Grounds

The pleading as to treaty violations is legally insufficient. If petitioners are attempting to plead that respondent's non-use of the mark is a violation of the Trademark Act and/or international conventions to which the United States is a party, that is a futile pleading because use of the mark by respondent has been prohibited in the United States throughout the life of the registration, i.e., since 1976 (and before). That is, for the entire relevant time frame it is and has been legally impossible for respondent to use the mark in the United States.

The Court of Customs and Patent Appeals (the predecessor court to the Court of Appeals for the Federal Circuit) stated in the case of American Lava Corporation v. Multronics, Inc., 461 F.2d 836, 174 USPQ 107 (1972) that "Proof that a mark has not been used for two or more consecutive years makes out a prima facie case that it has

been abandoned,... but the inference of abandonment is readily rebutted by a showing similar to that permitted" under Section 9(a) of excusable nonuse. The court also recognized that the Trademark Act of 1946 "evidences a more lenient attitude toward nonuse than the 1905 Act".

The Cuban Assets Control Regulations (31 CFR Part 515) prohibit, inter alia, (i) the importation into the United States of merchandise from Cuba or merchandise of Cuban origin, and (ii) the use in U.S. commerce of any trademark in which Cuba or a Cuban national has, at any time since July 8, 1963, had any interest, direct or indirect. See 31 CFR §515.201 and §515.204, and 31 CFR §515.201 and §515.311, respectively.

The pleading as to constitutional grounds is legally insufficient and futile because the Board has no authority to determine constitutional issues. See Harjo V. Pro Football Inc., 30 USPQ2d 1828 (TTAB 1994).

Accordingly, paragraphs 42-44 of the petition to cancel are hereby stricken.

IV. Abandonment

Petitioners' pleading of abandonment based on non-use in commerce is legally insufficient and futile for the reasons explained above with respect to the allegations of treaty violations. Accordingly, paragraph 45 of the petition to cancel is stricken.

However, petitioners' pleading of abandonment based on the legal effect of the assignments of the registration, (paragraphs 46-47) is a legally sufficient pleading of abandonment. See Stock Pot Restaurant, Inc. v. Stockpot, Inc., 737 F.2d 1576, 222 USPQ 665 (Fed. Cir. 1984).

V. Unclean Hands

This is not a ground to cancel a registered mark; rather it is an affirmative defense available to a defendant in appropriate circumstances.

Paragraphs 48 and 49 of the petition to cancel are stricken.

Respondent's motion to dismiss is granted to the extent explained above, and the motion to dismiss is otherwise denied.

In summary, the claims sufficiently pleaded by petitioners in this case are (i) fraud in the filing of the application; (ii) fraud in the filing of the Section 8 affidavit of use; and (iii) abandonment based on the legal effect of the assignments of the registration. The claims which are legally insufficient and on which amendment would be futile are (i) fraud in no "intent to use" the mark as of the filing date of the application; (ii) non-use as a treaty violation; (iii) constitutional grounds; (iv) abandonment based on non-use; and (v) unclean hands. The claim which is legally insufficient, but on which petitioners may have

leave to amend their pleading, is the claim of misrepresentation of the source of the goods.

Accordingly, petitioners are allowed until thirty days from the mailing date of this order to file an amended petition to cancel. (In view of the extensive pleading in this case, and because paragraphs 38, 41-45, 48, and 49 of the petition to cancel have been stricken by the Board, if petitioners file an amended pleading as to misrepresentation of the source of the goods, then petitioners are required to submit a clean copy of the entire petition to cancel.)

Proceedings herein are otherwise suspended pending petitioners' time to file an amended pleading.

J. E. Rice

R. F. Cissel

C. E. Walters
Administrative Trademark
Judges, Trademark Trial
and Appeal Board